

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. _____

Petition of Central Vermont Public Service)
Corporation and Green Mountain Power)
Corporation Requesting an Investigation into)
The Establishment of Retail Access)
Policies and Procedures)

PETITION

NOW COMES Central Vermont Public Service Corporation (“Central Vermont” or “CVPS”) and Green Mountain Power Corporation (“Green Mountain” or “GMP”)(together the “Companies”) pursuant to 30 Vermont Statutes Annotated (“V.S.A.”) §§209, 218, 218c, 225, 231, and 251(d) and requests that the Vermont Public Service Board (the “Board” or “PSB”) issue such orders and approvals that are necessary or advisable to: (1) permit the Companies to suspend the provision of power supply services (“Generation Service”) to customers located within their service territories; (2) permit the Companies to amend their service tariff obligations to clarify that they retain their exclusive service franchises as providers of electric delivery services (“Delivery Service”) to customers within their respective service territories; (3) permit the Companies to implement a “Retail Open Access Tariff” or “R-OAT” that enables customers located within the Companies’ respective service territories to choose their power supplier from an array of approved energy service providers (an “ESP” or “ESPs”) and to purchase “Generation Service” from such ESPs at market-determined prices; (4) select through a competitive bidding

process an ESP or ESPs to deliver “Default Service” for energy to customers located within the Companies’ service territories; (5) select through a competitive bidding process an ESP or ESPs to deliver “Transition Service” for energy to customers located within the Companies’ service territories; and (6) approve revisions and modifications to the Companies’ tariffs to implement voluntary retail access within the Companies’ respective service territories as provided for pursuant to this Petition.

As described more fully herein and in the supporting materials, CVPS’ and GMP’s tender of this filing and voluntary consent to the sale of power by ESPs within their service territories are made in accordance with the Companies’ restructuring plan entitled A Working Plan to Restructure a Significant Portion of Vermont’s Electric Utility Industry, filed on March 3, 1999 in Docket No. 6140 (the “Restructuring Plan”).¹ Accordingly, this Petition for the voluntary establishment of retail access within CVPS’ and GMP’s respective service territories is expressly conditioned upon approval of all elements of the Companies’ Restructuring Plan including the approval of any proposed mitigation measures to reduce power costs and financing measures related thereto and a mechanism to recover the costs rendered stranded on account of the move to retail access and customer choice.

In support of this Petition, Central Vermont and Green Mountain represent as follows:

1. Central Vermont and Green Mountain are each a “company” as defined by 30 V.S.A. §201, and are subject to Board jurisdiction pursuant to 30 V.S.A. §§ 203 and 209.
2. Presently, Central Vermont and Green Mountain each provide integrated electric

¹Note that for CVPS, this includes approval of the Company’s proposed holding company now before the Board in Docket No. 6133.

service to customers located within their respective service territories as defined by the Board pursuant to 30 V.S.A. §§ 249 *et. seq.*.

3. On March 3, 1999, the Companies filed their Restructuring Plan with the Board in Docket No. 6140, a “working plan” that establishes a strategy to comprehensively restructure the Companies’ electric utility businesses. A copy of the Restructuring Plan is included with this Petition as **Attachment A**. Terms defined in the Restructuring Plan shall have the same meaning when used herein.

4. In accordance with the Restructuring Plan, Central Vermont and Green Mountain now propose to begin the process of restructuring their electric utility businesses to become solely Delivery Service providers. Subject to the conditions described in this Petition, the Companies are willing: (a) to voluntarily consent to the sale of Generation Service by ESPs within their franchise service areas; and (b) to establish retail access and choice for their customers so that they can choose to purchase such power supply as they desire to meet their needs from competitive suppliers at market-determined rates.

5. Also in accordance with the Restructuring Plan, the actions and approvals that the Companies request pursuant to this Petition are expressly conditioned upon approval of the other elements specified within the Plan including: (i) the issuance of final orders approving renegotiated contracts with Hydro-Quebec and the Vermont’s Independent Power Producers that sell power pursuant to PSB Rule 4.100; (ii) the issuance of the “Restructuring Debt”, the proceeds of which will be used to buy-down and/or buy-out the power contracts; (iii) the consummation of the cost mitigation transactions; (iv) the establishment of rates that will provide cost-recovery to service the Restructuring Debt and recover each of the other elements of the

agreed-upon cost of service for the emerging distribution companies; (v) the relief essential to the restructuring requested in the other dockets referred to in the Plan including the formation of a holding company for CVPS; and (vi) the actual sale of the Restructuring Debt.

Suspension of Power Supply Service

6. Each of the Companies is presently the exclusive supplier of electric power to the consumers located within their service areas desiring to take such service and each has a legal obligation to serve such customers with the supply of electricity.

7. This arrangement has served the Companies' customers well and has benefitted customers, Vermont and the public interest.

8. In recent years, however, a number of challenges to this arrangement have emerged. Energy systems have been marked by profound technological and market changes including most significantly the move to greater wholesale competition as a result of the adoption by the Federal Energy Regulatory Commission ("FERC") of Order 888 establishing open access interstate transmission, the emergence of new energy marketers, the commercialization of new and refined energy efficiency technologies, the wide spread use of combined-cycle gas generation technologies, the development of more effective wind and biomass technologies, the availability of new dispersed load management systems, and many other innovations. These technological and market changes now permit the introduction of customer choice and retail competition within electricity markets -- which is occurring both regionally and nationally.

9. The introduction of customer choice and power supply competition within the Central Vermont' and Green Mountain' service territories would allow the Companies'

consumers to enjoy significant flexibility in the selection of services and prices for electricity.

10. Given the uncertainty engendered by regulatory reform initiatives, Central Vermont and Green Mountain now confront significant financial risks and limited access to capital, while the uncertainty surrounding restructuring greatly increases the risks for new investments. This in turn threatens the overall stability of Vermont's electric system, and calls for the swift but careful resolution of the many issues facing both the Companies, consumers and the Vermont electric utility industry.

11. The market for electricity in which both CVPS and GMP operate is regional in nature and has been managed for a quarter of a century as a single power pool. As other New England states move to direct retail access, new regional structures and institutions are emerging that are specifically designed to allow for customer choice and retail access including modifications to the longstanding pool arrangements.

12. In order to give the Companies' customers the opportunity to participate in the new competitive power markets, the time has come to permit open access and retail competition within the CVPS and GMP service territories.

13. Neither CVPS nor GMP has any present plan to sell electricity at retail to Vermont consumers as an ESP participating in the R-OAT². Accordingly, the Companies maintain that their proposed Retail Open Access Tariff and related Delivery Service tariffs and materials will create no impediment to nondiscriminatory access to the New England transmission grid.

²As indicated later in this Petition, the Companies will consider providing Transition Service if their provision of the service helps to maximize power supply mitigation and appropriate mechanisms are developed to provide the Companies recovery of their costs incurred in providing this service.

14. Properly implemented, a retail open access program will assure that the Companies' customers will be able to purchase such reasonable amounts of electricity at such reasonable prices as may be needed to meet their demands for electric use.

15. WHEREFORE, the suspension by CVPS and GMP of their respective obligations to provide electric power for sale at retail under their existing tariffs to customers located within their respective service territories serves the public interest.

Amendment of Tariff Service Obligations and Voluntary Consent to Retail Access

16. While Central Vermont and GMP each seek to have the Board permit them to suspend their responsibility to sell power at retail to all customers located within their respective service territories and will voluntarily consent to the sale of Generation Service by ESPs certified by or registered with the Board to those customers pursuant to 30 V.S.A. §251(d), the Companies desire to retain their exclusive rights to provide for the delivery of such power to the customers within their existing service territories.

17. More specifically, CVPS and GMP propose that a Retail Open Access Tariff be implemented and that their existing tariff service obligations be amended to retain for the Companies the following specific responsibilities collectively defined as "Delivery Service":

- a. To arrange for or provide for each customer (i) regional network transmission service over New England Power Pool ("NEPOOL") Pool Transmission Facilities ("PTF"), (ii) local network transmission service over the Vermont Electric Power Company's ("VELCO") and/or New England Power Company's ("NEP") and/or certain other specified interconnected transmission facilities, and (iii) local network transmission service over the Companies' transmission facilities;
- b. To perform all services necessary to deliver power owned by the ESPs over distribution facilities to each customer' delivery point;

- c. To provide customer service and support for Delivery Service;
- d. To respond to service interruptions or power quality problems;
- e. To handle customer service connections and Delivery Service terminations;
- f. To read usage meters;
- g. To submit bills to customers for Delivery Service;
- h. To fulfill certain settlement functions necessary to the maintenance of financial responsibility and power supply reliability in the region; and
- i. To provide other related or necessary services.

18. In order to facilitate a swift move to retail access and customer choice, the Retail Open Access Tariff proposed by the Companies initially unbundles only the supply of Generation Service from the formerly integrated provision of electric service. Other approaches to the unbundling of formerly integrated services are possible and may be pursued at a later date.

19. By limiting the unbundling of services at this time, the Companies should be able to implement the essential aspects of retail access in their respective service areas beginning one year from the date of the final order approving the Companies' Restructuring Plan and related plan elements. The Companies anticipate that this would occur no earlier than September 1, 2001 as provided for in the Delivery Service tariffs that accompany this Petition.³

20. WHEREFORE, the retention by Central Vermont and Green Mountain of their exclusive franchises to provide Delivery Service to customers located within their respective service territories will continue to promote the public good and serve the public interest.

³If further unbundling of formerly integrated services is desired at the start of retail access, this can also be accomplished but the start date for retail access, as well as the costs and rates, will have to be reevaluated by the Companies based on the specific amendments proposed to the Companies' Retail Open Access Tariff.

Establishment of a Retail Open Access Tariff

21. To implement customer choice and retail competition within the Companies' service territories, Central Vermont and Green Mountain propose to voluntarily consent to the sale of Generation Service by competing ESPs through the introduction and implementation of a "Retail Open Access Tariff". A copy of the R-OAT proposed by the Companies is included with this Petition as **Attachment B**.

22. The Retail Open Access Tariff establishes the terms and conditions applicable to customers taking Delivery Service from the Companies and ESPs offering to sell Generation Service to customers at retail.

23. To participate in the Companies' R-OAT, an ESP must be certified by or registered with the PSB, which certification or registration may be accomplished through the issuance of a Certificate of Public Good under 30 V.S.A. §231, or by an alternative registration process as determined by the Board.

24. Once certified or registered, it is proposed that participating ESPs must comply with the terms of the R-OAT in order to continue to be eligible to have CVPS or GMP provide necessary Delivery Services for the participant's power.

25. Consistent with the Board's policies and directives as articulated in the Vermont Principles on Electric Industry Restructuring, made applicable to this proceeding pursuant to the Board's Order of June 24, 1999 in Docket No. 6140-a, CVPS and GMP propose to include in their tariffs, should the Board require, conditions to ensure compliance by participating ESPs with public benefit programs including environmental emissions portfolio standards, renewable

energy requirements, and consumer protections (all as articulated by the Board)⁴. In addition, the proposed Retail Open Access Tariff contains provisions that require participating ESPs to support and cooperate with both the Companies and the new Energy Efficiency Utility to assure the delivery of demand-side management and other related services to consumers as required by Vermont law. If desired, the Board could in addition or alternatively promulgate such public benefit requirements as will be applicable within the CVPS and GMP service areas and the Companies would amend their tariffs to comply as required by the Board. The provision of Generation Service consistent with such requirements is intended to satisfy the Company's obligation to assure the provision of power supply at "least-cost" as required pursuant to 30 V.S.A. §218c and to assure that the Retail Open Access Tariff satisfies the policy directives embodied in the Vermont Principles on Electric Industry Restructuring. For a fuller statement that describes how the R-OAT proposed by the Companies' satisfies the Vermont Principles on Electric Industry Restructuring, please see the Companies' Compliance Statement included with this Petition as **Attachment C**.⁵

26. WHEREFORE, the establishment of a Retail Open Access Tariff by Central

⁴Note also that the proposed Delivery Service tariffs have been structured to accommodate the administration of a "societal benefits charge" should such a charge become a feature of retail open access within the Companies' service areas. The inclusion of these terms must be viewed as a placeholder as no such charge is proposed by the Companies as a part of this Petition. However, the working groups to be formed under the Companies proposed procedures for administering this docket may choose to consider such a charge as part of this proceeding. The recognition of these terms would facilitate the introduction of the charge if the Board determines that it has the requisite authority to establish it.

⁵The Companies note that the Board may alternatively choose to impose conditions on an ESP's certification or registration as a means to assure compliance with key public benefit programs or to use other regulatory means to advance these public policy concerns. The Companies' inclusion of proposed tariff terms and conditions to support achievement of these goals is made in order to facilitate the approval of the proposed Retail Open Access Tariff. Some of the proposed tariff provisions are intended to facilitate the development and administration of the public benefit programs called for by the Vermont Restructuring Principles. Of course, the Board may address these matters separately, at any time, or over time in certification orders or other regulatory proceedings. To the extent any of the tariff provisions are not deemed necessary or desirable by the Board, they can be amended or eliminated. The Companies offer the proposed terms in order to permit the working groups to address the development of all ground rules that the Board has indicated are necessary to transition to a retail open access environment. For a further discussion, please see the enclosed Memorandum of Law of even date herewith.

Vermont and Green Mountain is just and reasonable, will promote the public good and serve the best interests of the Company and its consumers.

Establishment of Default Service

27. In order to ensure that customers do not go without Generation Service, the Companies propose that “Default Service” be established.

28. Pursuant to the Retail Open Access Tariff, Default Service is defined as the service available to a Customer who is not receiving either Generation Service from an ESP or “Transition Service” in accordance with the provisions set forth in the proposed tariff.

29. The specific provider or providers as well as the rates, terms and conditions for Default Service will be established through a competitive bidding process administered by the PSB and Vermont Department of Public Service (“DPS”).⁶

30. Default Service would be administered by the Companies and available to any Customer who is not receiving Transition Service and who, for any reason, has stopped receiving Generation Service from an ESP.

31. In the event that an ESP is suspended or terminated from participating in the R-OAT or ceases to provide Generation Service in Vermont, that ESP’s customers would be provided Default Service until they select another ESP to provide them Generation Service.

32. WHEREFORE, the establishment of Default Service as a feature of the Retail

⁶It is not our intent that the Companies, the Board or the Department be the purchaser or reseller of Default Service. Rather the Companies propose that the entity or entities selected to provide Default Service through the competitive bidding process sell directly to interested participating customers with certain administrative aspects of the service facilitated by the Companies. In the alternative, pursuant to 30 V.S.A. §212a, the DPS is authorized “to purchase from any source and to distribute and sell at retail without unjust discrimination, electrical energy directly to all consumers of electricity in Vermont. . .” Id.

Open Access Tariff proposed by the Companies will assure that customers will always be able to purchase such reasonable amounts of power at such reasonable rates as the public convenience or necessity may require.

Establishment of Transition Service

33. In order to provide customers a smooth transition into the Retail Open Access Program established by the Companies R-OAT, Central Vermont and Green Mountain propose that the Board establish a “Transition Service” offering or offerings that ensure customers initial access to a reasonably priced Generation Service product.

34. The specific provider or providers for Transition Service should be established through a competitive bidding process administered by the PSB and DPS.⁷ The Board may determine the terms, conditions and rates for such service as part of the bidding process.⁸

35. To qualify to receive Transition Service, it is proposed that a qualifying customer must have been a customer of record with CVPS or GMP as of the retail access date and that the customer not have received Generation Service from an ESP.

36. As provided for in the proposed Retail Open Access Tariff, Transition Service would be available to qualifying customers for a term of 3 years from the start date for retail

⁷Again, it is not intended that the Companies, the Board or the Department be the purchaser or reseller of this service. Rather the entity or entities selected through the bidding process to provide Transition Service would sell directly to interested customers. Alternatively, the DPS could assume a purchase and resale role if desirable under existing authority.

⁸Alternatively, the Companies will consider providing Transition Service if their provision of the service helps to maximize power supply mitigation and appropriate mechanisms are developed to provide the Companies recovery of their costs incurred in providing this service.

access, or for such other term as the Board may require.⁹

37. A qualifying customer receiving Transition Service will be allowed to retain such service upon moving to a new premises within the serving distribution company's service territory.

38. A customer who has previously received Generation Service from an ESP will no longer be eligible to receive Transition Service, except that a Low-income Customer, defined as a customer with a household income within 200% of the federal poverty guideline (as determined by the Vermont Department of Social Welfare or such other entity as the Board may require), may return to Transition Service at any time, regardless of whether the customer has previously received Generation Service from an ESP. In addition, a residential or small commercial customer who has received Generation Service from an ESP since the Retail Access Date is eligible to receive Transition Service by so notifying the serving distribution company within one-hundred and twenty days (120) days of the date when the customer first began to receive Generation Service from an ESP, provided that such notification occurs during the first year following the retail access date.¹⁰

39. A customer who moves into the CVPS' or GMP' service territory after the Retail Access Date will not be eligible to receive Transition Service, except that a Low-income

⁹For CVPS, it is proposed that Transition Service be offered to customers in rate classes 1, 2, 3, 6, 7, 9, 11, 13, 14 and 15. For GMP, it is proposed that this service be offered to customer in rate classes 1, 2, 6, 11, 14, 16, 18, 67, and smaller rate 63 customers.

¹⁰The Companies have proposed that specific terms of the Transition Service offerings be targeted at low-income customers in order to comply with the Vermont Principles on Electric Industry Restructuring. The Companies remain open to alternative approaches to meet these customers' needs including the adoption of other mechanisms so long as the costs for such services can be recovered. The Companies are likewise open to variations in the entry and exit terms for Transition Service which are only proposed to assure that Transition Service does not become a barrier to the establishment of an effectively competitive market for the sale and purchase of Generation Service.

Customer who moves into the CVPS' or GMP' service territories after the Retail Access Date shall be eligible for Transition Service.

40. WHEREFORE, the establishment of a Transition Service offering or offerings in order to provide customers with an initial Generation Service offer and to ease the transition to retail access and customer choice within the Companies' service territories serves the public good.

Revise Existing Tariffs

41. In addition to the establishment of the Retail Open Access Tariff, included with this Petition are preliminary conformed sets of the CVPS and GMP tariffs that illustrate the removal from the Companies' duties the obligation to provide Generation Service but retain the duty to provide Delivery Service (individually the "CVPS Delivery Service Tariff" and the "GMP Delivery Service Tariff"). Copies of the preliminary conformed CVPS Delivery Service Tariff and GMP Delivery Service Tariff are included as **Attachment D** to this Petition¹¹.

42. The proposed Delivery Service Tariffs contain all of the terms and conditions that would be applicable to the provision of Delivery Service by CVPS and GMP, respectively, and indicate the categories of expected unbundled charges. These tariffs, however, do not specify the Delivery Service charges that would be applicable. Actual consumer rate class-specific Delivery Service charges and "Competitive Transition Charges" (or the "CTC") that recover the Companies' allowed transition costs can only be determined after power supply mitigation is

¹¹The Companies expect to propose further revisions to these tariffs to incorporate the efforts of the working groups discussed in the Statement of Proposed Procedure for Administration of this Proceeding. As such, the Companies remain open to considering alternative strategies that may emerge through the consensus settlement efforts contemplated by this Petition.

known and a new revenue requirement is established in the rate proceeding called for under the Companies' Restructuring Plan.

43. The Delivery Service Tariffs also reflect the impact of de-seasonalizing charges to reflect the new principles now embedded in the NEPOOL network transmission service tariff.

44. Pursuant to the NEPOOL Agreement now in effect as a tariff, capability responsibility ("CR") rules have been amended so that entities serving retail loads must meet their CR requirements based on their customers' monthly peak demands. This approach replaces the so-called 70-30 formula that placed a 70% weight on the load serving entity's one time annual peak when determining its CR. This change effectively deseasonalizes the Companies' cost structure as well as the cost structures of the ESPs that will provide Generation Service upon approval of the CVPS and GMP Restructuring Plan.

45. Since specific rate class charges for Delivery Service cannot be approved at this time, the Companies request that in this proceeding the Board develop the rate design policies that will be applied to the Delivery Service revenue requirement and rate structure that will be developed in the rate proceeding called for under the Companies' Restructuring Plan.

46. WHEREFORE, Central Vermont's and Green Mountain's respective Delivery Service Tariffs' terms and conditions are just and reasonable and should be approved.

Given the numerous and complex public policy considerations that must be addressed by the Board and parties to this docket, the Companies have included a Statement of Proposed Procedure for Administration of this Proceeding as **Attachment E**. Rather than initially beginning by filing testimony and rebuttal testimony, the Companies urge that the Board, after officially convening the proceeding and admitting parties, institute a series of working groups charged with the responsibility to develop consensus policy recommendations.¹² Through this less formal approach, the Companies believe that they and the interested parties can effectively resolve and narrow the myriad of issues that must be resolved in order to transform the Companies from integrated monopolies to providers of Delivery Services. Likewise, a working group procedure should facilitate the development of the ESP regulations and related consumer protections that must work together to create competitive markets for the sale of Generation Service and its delivery by the Companies.

CVPS and GMP have initiated this Petition now, because they believe that the thorough review and development of retail access and customer choice in Vermont will take some time. Rather than wait and risk a bottleneck after mitigation measure are completed, the Companies urge the Board to adopt the procedures contemplated by the Petition in order to allow for a thorough yet expeditious review of the matters contemplated herein.

In support of this Petition, Central Vermont and Green Mountain submit the following Attachments, attached hereto and made a part hereof:

¹²To facilitate a working understanding of the Companies' proposals, included with the Petition as **Attachment F** is the introductory Prefiled Direct Introductory Testimony of William J. Deehan. This testimony introduces the elements of the Companies' Petition and describes the policy considerations and justifications that support the Companies' proposed Retail Open Access Tariff and related materials.

- Attachment A - A Working Plan to Restructure a Significant Portion of Vermont's Electric Utility Industry, filed on March 3, 1999 in Docket No. 6140
- Attachment B - Retail Open Access Tariff
- Attachment C - Statement of Compliance with the Vermont Principles on Electric Industry Restructuring
- Attachment D - Copies of preliminary conformed CVPS and GMP Delivery Service Tariffs
- Attachment E - Statement of Proposed Procedure for administration of this Proceeding
- Attachment F - Prefiled Direct Introductory Testimony of William J. Deehan in support of this Petition

In addition, included with this Petition is a Memorandum of Law that discusses some of the legal issues attendant to the Companies requests.

WHEREFORE, Central Vermont and Green Mountain request that the Board:

- (a) Promptly schedule a pre-hearing conference to review this Petition and for the purpose of establishing a schedule for the conduct of further proceedings in this matter including the filing of intervention requests, establishment of working groups, establishment of procedures to facilitate electronic service of filings to ease parties administrative burdens, and other necessary matters as described in the Statement of Proposed Procedure for administration of this Proceeding;
- (b) Upon completion of the working group processes, schedule a technical hearing in accordance with the requirements of §§209, 218, 218c, 225, 231, and 251(d);
- (c) Take such other actions as may be required for the expeditious review and approval of this Petition; and
- (d) Issue approval for all matters requested hereunder contingent on final approval of all elements of the Companies' Restructuring Plan.

DATED at BENSON, VERMONT this 23rd day of November, 1999.

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Attachment A -

A Working Plan to Restructure a Significant Portion of Vermont's
Electric Utility Industry, filed on March 3, 1999 in Docket No.
6140

Attachment B - Retail Open Access Tariff

Attachment C -

Statement of Compliance with the Vermont Principles on Electric
Industry Restructuring

Attachment D - Copies of preliminary conformed CVPS and GMP Delivery
Service Tariffs

Attachment E - Statement of Proposed Procedure for administration of this Proceeding

Attachment F - Prefiled Direct Introductory Testimony of William J. Deehan in support of this Petition